

ENVIRONMENTAL IMPROVEMENT FUND

Budget Summary							
Fund	2002-03 Base Year Doubled	2003-05 Governor	2003-05 Jt. Finance	2003-05 Legislature	2003-05 Act 33	Act 33 Change Over Base Year Doubled	
						Amount	Percent
GPR	\$60,858,000	\$75,102,500	\$72,263,900	\$72,263,900	\$72,263,900	\$11,405,900	18.7%
SEG	<u>12,000,000</u>	<u>12,000,000</u>	<u>12,000,000</u>	<u>12,000,000</u>	<u>12,000,000</u>	<u>0</u>	0.0
TOTAL	\$72,858,000	\$87,102,500	\$84,263,900	\$84,263,900	\$84,263,900	\$11,405,900	15.7%
BR		\$259,670,000	\$196,100,000	\$196,100,000	\$217,600,000		

FTE Position Summary

Positions for the Environmental Improvement Fund program are provided under the
Departments of Administration and Natural Resources.

Budget Change Items

1. REVENUE AND GENERAL OBLIGATION BONDING AUTHORITY [LFB Paper 330]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Veto (Chg. to Leg)	Net Change
BR	\$259,670,000	- \$63,570,000	\$21,500,000	\$217,600,000

Governor: Provide an increase in revenue bonding authority of \$259,670,000 for the clean water fund program, from \$1,398,355,000 to \$1,658,025,000. Revenue bonds are issued to provide financial assistance for municipal wastewater facility projects. State revenue bonds are retired primarily through repayments of program loans and issuance of general obligation bonds to meet state subsidies. No change would be made in the general obligation bonding authority for: (a) the clean water fund program, which is currently authorized \$637,743,200; and (b) the safe drinking water loan program, which is currently authorized \$26,210,000.

Joint Finance/Legislature: Provide an increase in clean water fund revenue obligation bonding authority of \$217,600,000 instead of \$259,670,000 (a decrease of \$42,070,000), resulting in total revenue obligation authority of \$1,615,955,000 for the program. In addition, decrease

general obligation bonding authority for the clean water fund program by \$21,500,000, resulting in total general obligation bonding authority of \$616,243,200. Bonding levels for the clean water fund program would be sufficient to meet estimated need for the 2003-05 biennium based on: (a) an estimated 5% revenue obligation market interest rate (instead of 6% under the bill); (b) deletion of a 10% construction project cost contingency of \$26.5 million; and (c) deletion of a 5% revenue obligation issuance contingency of \$12.3 million.

Veto by Governor [B-14]: Delete the \$21,500,000 decrease in general obligation bonding authority in the clean water fund program, retaining current general obligation bonding authorization of \$637,743,200.

[Act 33 Section: 2469]

[Act 33 Vetoed Sections: 285ag (as it relates to the Environmental Improvement Fund) and 680t]

2. PRESENT VALUE SUBSIDY LIMIT [LFB Paper 330]

Governor: Provide a "present value subsidy limit" totaling \$117.2 million for the environmental improvement fund as follows: (a) \$92.4 million for the clean water fund program; (b) \$12.8 million for the safe drinking water loan program; and (c) \$12.0 million for the land recycling loan program. The subsidy limit represents the estimated state cost, in 2002 dollars, to provide 20 years of subsidy for the projects that would be funded in the 2003-05 biennium. The clean water fund program provides low-interest loans to municipalities for planning, designing, constructing or replacing a wastewater treatment facility, or for nonpoint source pollution abatement or urban stormwater runoff control projects. The safe drinking water loan program provides financial assistance to municipalities for the planning, design, construction or modification of public water systems. The land recycling loan program provides financial assistance to certain local governments for the investigation and remediation of contaminated (brownfields) properties.

Joint Finance/Legislature: Approve the Governor's recommendation to provide a present value subsidy limit of \$12.8 million for the safe drinking water loan program. Provide a technically corrected present value subsidy limit of \$4.0 million for the land recycling loan program. Provide a present value subsidy limit of \$55.1 million for the clean water fund program.

Veto by Governor [B-14]: Provide a present value subsidy limit of \$90.0 million for the clean water fund program in the 2003-05 biennium. The increased present value subsidy limit is accomplished by vetoing the deletion of the \$90.0 million that had been provided for the 2001-03 biennium and by vetoing the \$55.1 million figure that would have been provided in 2003-05 under the enrolled bill.

[Act 33 Sections: 2466 thru 2468]

[Act 33 Vetoed Section: 2466]

3. ENVIRONMENTAL IMPROVEMENT FUND DEBT SERVICE [LFB Paper 195]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR	\$14,244,500	- \$2,838,600	\$11,405,900

Governor: Provide an increase of \$4,972,000 in 2003-04 and \$9,272,500 in 2004-05 for estimated increases in debt service costs for general obligation bonds. This would include: (a) an increase of \$4,924,800 in 2003-04 and \$8,964,300 in 2004-05 for clean water fund program debt service, which would result in total general fund debt service of \$33,950,200 in 2003-04 and \$37,989,700 in 2004-05; and (b) \$47,200 in 2003-04 and \$308,200 in 2004-05 for safe drinking water loan program debt service, which would result in total general fund debt service of \$1,450,800 in 2003-04 and \$1,711,800 in 2004-05. An additional \$6.0 million in general obligation bond debt service for the clean water fund program is paid by loan repayments received from municipalities from loans that were originally provided from the proceeds of general obligation bonds. The land recycling loan program is funded through loan repayments of clean water fund loans made with the proceeds of federal grants to the clean water fund and does not have a separate general fund debt service cost.

Joint Finance/Legislature: Reestimate the debt service costs of general obligation bonds as follows: (a) decrease by \$1,597,000 in 2003-04 and \$1,816,800 in 2004-05 the amount for clean water fund debt service, which would result in total general fund debt service of \$32,353,200 in 2003-04 and \$36,172,900 in 2004-05; and (b) increase by \$311,100 in 2003-04 and \$264,100 in 2004-05 the amount for safe drinking water loan program debt service, which would result in total general fund debt service of \$1,761,900 in 2003-04 and \$1,975,900 in 2004-05.